

Congress of the United States

House of Representatives

Washington, DC 20515-1504

April 7, 1999

Donald Hammond
Office of the Fiscal Assistant Secretary
U.S. Department of Treasury, Room 2112
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

23 COMMITTEES
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Dear Mr. Hammond:

I am writing to oppose any involvement of check cashers, pawn shops, and other non-federally insured institutions in the Electronic Funds Transfer (EFT) program. This includes voluntary accounts outside of the Electronic Transfer Account (ETA) option.

I applaud the EFT program for its potential to benefit working class and minority individuals and communities, if it encourages a number of "unbanked" individuals to establish accounts with banks or thrifts. These business relationships could lead to more home and small business lending in traditionally underserved communities.

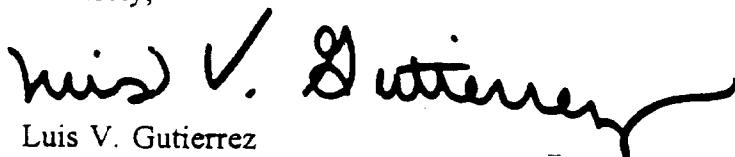
However, if check cashers and other non-federally insured institutions participate in the EFT program, it is probable that the "unbanked" population receiving EFT will be pushed further away from mainstream financial institutions. Consumers who use check cashers and pay day lenders are frequently subject to usurious interest rates and fees that range from 50 to 500 percent.

These non-insured institutions do not need the federal government's help in attaining market share in minority and working class communities. Several studies have documented that check cashers already dominate in minority neighborhoods. For example, a University of Wisconsin study found that banks outnumber check cashers 15 to 1 in predominantly white neighborhoods in Milwaukee. In contrast, one bank for every check casher was found in African-American neighborhoods. Breaking down the data further by income and race reveals even more glaring disparities. The Woodstock Institute found that check cashers outnumber banks by ratios higher than 10 to 1 in lower-income minority communities in Chicago.

I believe the Treasury Department should support the reinvestment stimulated by the Community Reinvestment Act and the fair lending laws by prohibiting non-federally insured institutions from participating in the EFT system.

Thank you for considering these views.

Sincerely,



Luis V. Gutierrez
Member of Congress